



Working Group Proposed Outline and Workstreams

In order to work through the many board decision points most efficiently, below is a proposal to divide up into working groups with separate workstreams and have those working groups feed research and recommendations back into the full oversight board. Inevitably, the portfolios for these groups interact and even overlap. The full oversight board meetings and board staff from Treasury and OEDIT will facilitate coordination and sequencing between working groups.

1. Underwriting: This working group will interface with lenders and lender organizations to hone the details of how the fund will function (e.g. loan participations, loan loss reserve, etc.) and what the terms will be for eligible loans. The central question for this group is how the program can most effectively provide capital to small businesses. What is the gap where these loans would not be possible were it not for this program?

The legislation charges the oversight board with consulting with “lending industry leaders” on these matters. Below is a list of scheduled lender focus groups that will help this working group, and ultimately the oversight board, receive that necessary input:

- 8/14 9:00-10:00 CDFI focus group
- 8/17 10:00-11:00 Colorado Bankers Association (CBA) focus group

OEDIT is in the process of scheduling two addition focus groups—Independent Bankers of Colorado (IBC) and Credit Unions. When those dates are set we will share.

In addition to these focus groups, this working group will organize discussions, research, and recommendations for the first tranche of CLIMBER funding around the following workstreams and feed that work back to the full oversight board at future board meetings:

- How will the program function?
 - What are the most effective tools for the CLIMBER fund to use: participations, Colorado Credit Reserve (CCR) or another loan loss program, Cash Collateral Support (CCS) or a similar program? Each tranche of up to \$50M may have different terms. What portion of the first tranche should be allocated to the tools?
 - If the fund will purchase participations, what should the participation percentage be? If it should be different in different in different



circumstances (either by lending institution or by loan/business particulars), how should that be determined?

- Loan terms
 - Loan size, within the statutory parameters (between \$30,000 and \$500,000).
 - Loan maturities, within the statutory parameters (not more than 5 years).
 - Loan amortization, within the statutory parameters (not less than the term of the loan but could be longer).
 - Payment deferrals, within the statutory parameters (up to one year).
 - Interest rate of the loans, within the statutory parameters (“lower than would otherwise be available”)
 - Loan security, within the statutory parameters (no security is required by statute, but the board may add security requirements that could include a personal guarantee, collateral, or “other security as determined by the oversight board”).

2. Impact: This working group will interface with the OEDIT staff and the OEDIT Office of Minority Businesses to design impact targets. The central issue this group will tackle is ensuring equitable distribution of capital.

The legislation charges the oversight board with consulting with the OEDIT Minority Business Office in designing targets for women, minority, and veteran-owned businesses in addition to rural businesses. In addition, the board must determine the methodology for allocating capital across the state’s 64 counties.

This working group will organize discussions, research, and recommendations for the first tranche of CLIMBER funding around the following workstreams and feed that work back to the full oversight board at future board meetings:

- Geographic distribution methodology
 - What is the metric(s) used to determine geographic distribution?
 - For what period of time with the capital be allocated geographically (after which it reverts to the general pool)
- Establish targets for loans to women, minority, and veteran-owned businesses and rural businesses.
 - What will the metrics be?
 - How will it be tracked?
 - What is the process for monitoring and making needed adjustments over the course of the first tranche of funding?



3. *Small business outreach and technical assistance:* This working group will interface with the OEDIT Small Business Development Center office and small businesses in Colorado to determine how businesses are being impacted and what their financing needs are. The central question for this group is how the CLIMBER program can best serve small businesses and what additional supports/resources can be connected to the program.

The legislation charges the oversight board with consulting with small businesses in designing loan terms and the definition of eligible borrowers. On this workstream, the small business working group work will inform the work of the underwriting working group and vice versa. In addition, the board is also charged with consulting with small businesses in establishing the criteria for eligible borrowers.

This working group will organize discussion, research and recommendations for the first tranche of CLIMBER funding around the following workstreams and feed that work back to the full oversight board at future board meetings:

- Establishing the criteria for eligible borrowers, in consult with small businesses
 - Defining how to determine “principal place of business”
 - Defining how number of employees is measured (between 5-99) and whether the statutory range should be more prioritized
 - Defining what it means to demonstrate at least two consecutive years of positive cash flow prior to February 29, 2020 [Any two consecutive years, or does it need to be the two years immediately preceding February 2020?]
 - Defining what it means to demonstrate a debt-service coverage ratio as of February 29, 2020, of at least one-to-one and whether the DSCR should be higher.

In addition, this group will work with the SBDC to identify and problem-solve barriers to success for the program from the small business, user, perspective. OEDIT and the SBDC can help organize focus groups or surveys of small businesses and provide research and data on small businesses in the state as well as map existing technical assistance programs that could be connected to the program recipients.



Workstreams outside of the working groups

Tax credit sale: Through the CLIMBER Act, the State Treasurer is authorized to conduct a sale(s) of State insurance premium tax credits to fund the State's contribution to the program. It is a foundational element to the program but otherwise not connected to other workstreams. The Treasurer and Treasury staff will provide the oversight board with updates on the tax credit sale, timing and process. Any oversight board members that would like to be involved in the tax credit sale workstream may participate in review of materials for the sale including professional services solicitation documents and responses and other timing and pricing documents.

Fundraising: Members of the Governor's Council of Economic Stability and Growth's Financial Services subcommittee that developed the vision for CLIMBER and provided support through the legislative process have volunteered to help the State by fundraising the private capital. This group of volunteer fundraisers includes Peter Calamari. As a member of the oversight board, Peter Calamari will update the full board on the fundraising activities, progress, and any other related issues that may inform board decisions. Since the program relies on raising very significant amounts of private investments (up to \$200M), it will be important to communicate investor input with respect to program design to the board. Any oversight board members that would like to be involved in the fundraising workstream may participate in review of materials and consultation with the Loan Fund Program Manager (CHFA) about how to incorporate investment requirements into the program parameters.